

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549



02023517

ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III

JUL 15 2002  
DIVISION OF MARKET REGULATION

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FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 10-01-2000 AND ENDING 09-30-2001  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

Craig & Associates Inc.

OFFICIAL USE ONLY

FIRM ID. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

2033 - 6<sup>th</sup> Ave. #1001

(No. and Street)

Seattle

(City)

Wa.

(State)

98121

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Gary L. Craig

(206) 956-4454

(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

Jack W. Brown Inc. P.C.

(Name - if individual, state last, first, middle name)

419 Occidental Ave. S. Suite 600 Seattle Wa. 98104

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

- ☒ Certified Public Accountant  
☐ Public Accountant  
☐ Accountant not resident in United States or any of its possessions.

PROCESSED

FOR OFFICIAL USE ONLY

AUG 01 2002

THOMSON  
FINANCIAL

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

UFG-31-02

## OATH OR AFFIRMATION

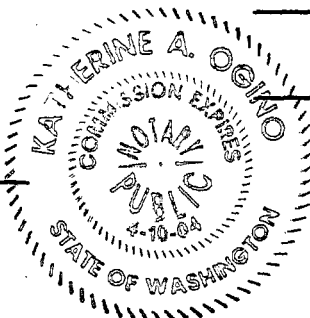
I, Gary L. Craig, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Craig & Associates, Inc., as of September 30 2001, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Gary L. Craig  
Signature

President  
Title

Katherine A. Ogino  
Notary Public



This report\*\* contains (check all applicable boxes):

- ☒ (a) Facing page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
- ☒ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital
- ☒ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or control Requirements Under Rule 15c3-3.
- ☒ (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☒ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☒ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

**CRAIG & ASSOCIATES, INC.**

Financial Statements  
and Supplementary Information

September 30, 2001

Jack W. Brown Inc., P.C.

# JACK W. BROWN INC., P.C.

Accountants & Consultants 419 Occidental Ave. S., Suite 600 Seattle, Washington 98104 (206) 343-0646 FAX (206) 682-3977

October 25, 2001

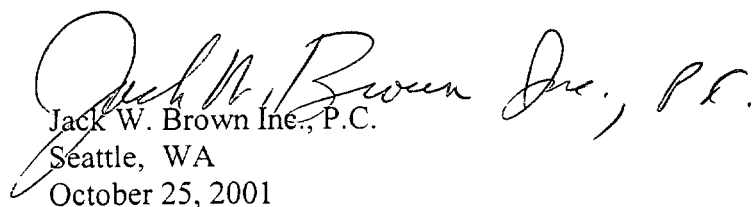
To the Board of Directors  
Craig & Associates, Inc.  
Seattle, WA

We have audited the accompanying balance sheet of Craig & Associates, Inc., as of September 30, 2001, and the related statements of income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principals used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Craig & Associates, Inc., as of September 30, 2001, and the results of its operations and cash flows for the year then ended, in conformity with generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in the supplementary schedules is presented for the purpose of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by rule 17a-5 of the Securities and Exchange Commission. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
Jack W. Brown Inc., P.C.  
Seattle, WA  
October 25, 2001

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CRAIG & ASSOCIATES, INC.  
BALANCE SHEET

<b>ASSETS</b>		September 30, 2001
<u>Current</u>		
Cash	\$	13,660
Certificates of Deposit		17,462
Concessions Receivable		<u>3,828</u>
Total current assets		<u>34,950</u>
<u>Property &amp; Equipment (Note 1)</u>		
Office equipment		14,213
Furniture & fixtures		<u>7,200</u>
		21,413
Less accumulated depreciation		<u>(21,413)</u>
Total property & equipment		<u>-0-</u>
<u>Other Assets</u>		
NASDAQ investment		<u>111,600</u>
TOTAL ASSETS	\$	<u><u>146,550</u></u>
<b>LIABILITIES &amp; STOCKHOLDER'S EQUITY</b>		
<u>Current Liabilities</u>		
Concessions payable		68
Accrued expenses		2,009
Federal income tax payable		<u>51</u>
TOTAL LIABILITIES		<u>2,128</u>
<u>Stockholder's Equity</u>		
Common stock, \$1 par value, 10,000 shares authorized, and 10,000 shares issued and outstanding		10,000
Additional paid - in capital		95,000
Retained earnings		<u>39,422</u>
Stockholder's Equity		<u>144,422</u>
TOTAL LIABILITIES & STOCKHOLDER'S EQUITY	\$	<u><u>146,550</u></u>

See accompanying notes to the financial statements

CRAIG & ASSOCIATES, INC.  
STATEMENT OF INCOME & RETAINED EARNINGS

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	Year Ended September 30, 2001
<b>INCOME</b>	
Concessions	<u>\$ 498,125</u>
<b>EXPENSES</b>	
Wages	37,712
Concession Expense	485,801
Professional Services	13,141
Office Expenses	7,979
Taxes & Licenses	33,734
Leases & Telephone	2,229
Travel & Entertainment	7,789
General Insurance	19,651
Miscellaneous	(1,112)
Rent	8,029
Repairs	210
Employee Benefits	<u>11,884</u>
 Total Expenses	 <u>627,047</u>
 Loss from operations	 (128,922)
 Other Income	
Interest income	<u>1,322</u>
 Income before provision for federal income tax	 (127,600)
 Provision for federal income tax - deferred (note 1)	 <u>(27,949)</u>
 NET LOSS	 (99,651)
 RETAINED EARNINGS, October 1, 2000	 <u>139,073</u>
 RETAINED EARNINGS, September 30, 2001	 <u><u>\$ 39,422</u></u>

See accompanying notes to the financial statements

CRAIG & ASSOCIATES, INC.  
STATEMENT OF CASH FLOWS

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Year Ended  
September 30, 2001

Cash flows from operating activities	
Net loss	\$ (99,651)
Total cash flow from operating activities	<u>(99,651)</u>
Adjustment to reconcile net income to net cash provided by operating activities	
Decrease in concession receivable	199,298
Decrease in concession payables	(73,616)
Decrease in cash surrender value of life insurance	23,600
Decrease in accrued expenses & federal income tax payable	<u>(27,118)</u> ★
Total adjustments	<u>122,164</u>
Net cash provided by operating activities	<u>22,513</u>
Cash flows, from investing activities	
Additional paid in capital provided	95,000
Increase in investments	<u>(111,600)</u>
Total cash flow from investing activities	<u>(16,600)</u>
Net increase in cash & cash equivalents	5,913
Cash & cash equivalents at beginning of year	<u>25,209</u>
Cash & cash equivalents at end of year	<u><u>\$ 31,122</u></u>



## SUPPLEMENTARY INFORMATION

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

- A. Nature of business: Craig & Associates, Inc., is a privately-held Broker-Dealer company which was incorporated in the State of Washington in 1984.
- B. Property & equipment: Property and equipment are recorded at cost. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in income during that year. The cost of maintenance and repairs is charged to expenses when incurred, whereas expenditures which substantially increase the useful lives of property and equipment are capitalized.
- C. Depreciation: The provision for depreciation is computed over three and five years using accelerated methods. Depreciation expense for the current year was 0.
- D. Cash & cash equivalents: Cash and cash equivalents consist of cash in checking accounts and certificates of deposit with a maturity of three months or less.
- E. Income taxes: The Company reports income for financial statement purposes on the accrual basis whereby revenue is recognized as services are performed and expenses are incurred. For federal income tax purposes, the Company reports income on the cash basis whereby revenue is recognized as it is collected and expenses are recognized as paid. Income tax liability was \$51 at September 30, 2001.
- F. Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**2. NET CAPITAL REQUIREMENT:**

Pursuant to Rule 15c3 -1 (a)(2) under the Securities Exchange Act of 1934, the Company has a \$5,000 net capital requirement. For the year ended September 30, 2001, the Company's net capital balance was \$7,156.

CRAIG & COMPANY, INC.  
COMPUTATION for DETERMINATION of RESERVE REQUIREMENTS for  
BROKER-DEALERS September 30, 2001

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UNDER RULE 15c3-3  
For the Year Ended September 30, 2001

Exemptive Provisions:

The Company is exempt from Rule 15c3-3 in that the Company does not receive any customer securities or cash.

CRAIG & COMPANY, INC.  
COMPUTATION of NET CAPITAL Under SEC. RULE 15c3-1

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Net Capital per audited Financial Statements, September 30, 2001	\$144,422
Less Non-Allowable Assets	<u>137,266</u>
Net Capital, September 30, 2001	<u>\$ 7,156</u>

See the Reconciliation of Audited and Unaudited Computation of Net Capital on the following page.

CRAIG & COMPANY, INC.  
 RECONCILIATION of AUDITED & UNAUDITED COMPUTATION of NET  
 CAPITAL

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	Unaudited Form X-17A-5 Part II Prepared by Craig & Associates	Audited Form X17A	
<u>Differences</u>	<u>Filed on</u>	<u>Part IIA</u>	<u>Differences</u>
Page 3			
Lines 1 & 3	\$168,288	\$144,422	\$23,866
<u>Explanations</u>			
Lines 1 & 3	Overstated cash		215
	Overstated additional paid in capital		23,600
	Understated income tax		<u>51</u>
			<u>\$23,866</u>

CRAIG & ASSOCIATES, INC.  
STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY  
As required under SEC Rule 17a-5[d][2]

Stockholder's Equity, September 30, 2000	\$149,073
Additional paid in capital for the year	95,000
Net loss for the year ending September 30, 2001	<u>[99,651]</u>
Stockholder's Equity, September 30, 2001	<u>\$144,422</u>

**CRAIG & ASSOCIATES, INC.**  
**STATEMENT OF MATERIAL INADEQUACIES SINCE PREVIOUS AUDIT**  
**Pursuant to SEC Rule 17a-5[j]**

**No material inadequacies existed since the previous audit of September 30, 2000.**